

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1826 – SB 2604

February 9, 2016

SUMMARY OF BILL: Authorizes a county mayor to sell a property acquired at a delinquent property tax sale to a third party in accordance with Tenn. Code Ann. 67-5-2507(b). If such properties are sold subject to redemption, they may be redeemed in accordance with Tenn. Code Ann. 67-5-2701.

Authorizes a county mayor or a mayor's designee to hold properties purchased through a delinquent tax auction, if the property is in an area or zoning classification that would make the accumulation of larger areas advantageous to reuse and redevelop the property being held until a sufficient number of parcels or area has been acquired by the county to improve the marketability and redevelopment profile. The county is required to market the property if it is held for more than five years.

Expands the definition of delinquent tax to include a tax that has been due and payable for at least one year on real property that is vacant and abandoned pursuant the definitions of such property as codified in Tenn. Code Ann. 67-5-2701(a)(3)(D).

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - Local governments could experience a permissive increase in revenue or an earlier recognition of revenue depending on the action authorized by the bill. For those actions that result in an increase in revenue, it is reasonably estimated to increase permissive local revenue by \$500 per property.

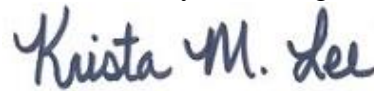
Assumptions:

- The purpose of a delinquent property tax sale is to collect unpaid taxes and convey the tax-defaulted property to a responsible owner.
- Pursuant to Tenn. Code Ann. § 67-5-2506, it is the duty of the county clerk to place a bid on a property that is being auctioned if no other bidder offers a bid for the amount of taxes and other fees that are owed on the property; unless the county legislative body has determined that no bid should be made by the clerk due to a determination that such property poses an environmental risk.
- During the holding period called for in the bill, no funds will be exchanged to actually purchase the property.

- To the extent a local government continues to hold property acquired at a delinquent property tax sale during the current specified holding period pursuant to Tenn. Code Ann. § 67-5-2701, there will be no fiscal impact to local government.
- To the extent a local government elects to sell a property acquired at a delinquent property tax sale to a third-party before the current redemption period ends, the local government may realize revenue earlier than if the property were held until the holding period expires.
- To the extent a local government elects to delay the sale of a parcel acquired through a delinquent property tax sale in order to accumulate a large area for repurpose or redevelopment, local government will incur a permissive increase in revenue if the property is sold for a higher amount than would have been possible in the absence of such holding.
- Expanding the definition of delinquent tax to include property that is vacant and abandoned will enable government entities to have a court in which a tax suit is pending to appoint a receiver to collect rent from the property subject to the tax lien.
- Certain actions authorized by the proposed legislation will result in a permissive increase in revenue. While an exact amount cannot be determined, it is reasonably estimated to exceed \$500 per property.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj